

# OFFICE OF FISCAL ANALYSIS

Room 5200, Legislative Office Building

Hartford, CT 06106 – (860) 240-0200

E-Mail: [ofa@cga.ct.gov](mailto:ofa@cga.ct.gov)

[www.cga.ct.gov/ofa](http://www.cga.ct.gov/ofa)

## Federal Debt and the Debt Ceiling

On February 15, 2014, the President signed a bill suspending the debt ceiling through March of 2015. This means that there is currently no debt ceiling. In March of 2015, the debt ceiling will be reset at its previous limit, plus all obligations incurred during the suspension period. This follows the previous suspension of the debt ceiling from October 16, 2013 to February 7, 2014 (between February 7, 2014 and February 15, 2014, the Treasury was able to use various cash management techniques to avoid breaching the debt ceiling that was reset on February 7, 2014).

Below are tables that show: (1) a breakdown of the Federal debt and the debt ceiling level at the end of each Federal fiscal year from FFY 93 to FFY 14 and (2) a history of debt ceiling increases.

**Table 1: Federal Debt and the Debt Limit FFY 93 to FFY 14 (in billions)**

Federal FY (FFY)	Debt Limit at End of FY \$	Debt Held by the Public \$	Debt Held by Governmental Accounts \$	Total Debt Subject to Debt Limit \$	Total Debt as % of GDP	Change in Debt Held by Public %	Change in Debt Held by Govt Accounts %	Change in Total Debt Subject to Debt Limit %
1996	5,500	3,705	1,432	5,137	63	-	-	-
1997	5,950	3,746	1,582	5,328	61	1	10	4
1998	5,950	3,697	1,741	5,439	60	(1)	10	2
1999	5,950	3,609	1,958	5,568	57	(2)	12	2
2000	5,950	3,388	2,204	5,592	54	(6)	13	0
2001	5,950	3,296	2,437	5,733	54	(3)	11	2
2002	6,400	3,517	2,644	6,161	56	7	9	7
2003	7,384	3,891	2,847	6,738	58	11	8	9
2004	7,384	4,277	3,057	7,333	59	10	7	8
2005	8,184	4,570	3,301	7,871	60	7	8	7
2006	8,965	4,810	3,610	8,420	61	5	9	7
2007	9,815	5,018	3,904	8,921	61	4	8	6

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2008	10,615	5,780	4,180	9,960	67	15	7	10
2009	12,104	7,528	4,325	11,853	82	30	3	16
2010	14,294	9,001	4,510	13,511	90	20	4	12
2011	15,194	10,107	4,639	14,746	95	12	3	8
2012	16,394	11,251	4,776	16,027	99	11	3	8
2013	16,699	11,959	4,741	16,700	98	6	(1)	4
2014	N/A	12,769	5,012	17,781	N/A	7	6	6

<sup>1</sup>Data from FY 96 to FY 08 is from the Congressional Research Service. Debt held by the public and by governmental accounts for FFYs 96-00 are approximated, as these numbers were not officially reported separately prior to FFY 01. Data from FY 09 to FY 14 is from the Treasury Department's Monthly Statement of Public Debt, as of September of each year. GDP data is from the Bureau of Economic Analysis' most recent estimates. Estimates for the third quarter of each calendar year were used. Data from the third quarter of 2014 is not yet available.

**Table 2: Debt Ceiling Increases 1993 to 2015 (in billions)**

Date	New Debt Limit \$	Change from Previous Debt Limit \$	% Change from Previous Debt Limit \$
April 6, 1993	4,370	225	5
August 10, 1993	4,900	530	12
February 8, 1996	See below <sup>1</sup>	N/A	N/A
March 12, 1996	See below <sup>1</sup>	N/A	N/A
March 29, 1993	5,500	600	12
August 5, 1997	5,950	450	8
June 28, 2002	6,400	450	8
May 27, 2003	7,384	984	15
November 19, 2004	8,184	800	11
March 20, 2006	8,965	781	10
September 29, 2007	9,815	850	9
July 30, 2008	10,615	800	8
October 3, 2008	11,315	700	7
February 17, 2009	12,104	789	7
December 28, 2009	12,394	290	2
February 12, 2010	14,294	1,900	15
August 2, 2010	16,394	2,100	15
February 4, 2013 to May 19, 2013 <sup>2</sup>	16,699	305	2
October 16, 2013 to February 7, 2014 <sup>2</sup>	17,200 <sup>2</sup>	501	3
February 15, 2014 to March of 2015 <sup>2</sup>	See below <sup>2</sup>	N/A	N/A

<sup>1</sup>Temporarily exempted from the debt limit an amount equal to monthly Social Security benefit payments.

<sup>2</sup>On February 4, 2013, the debt limit was suspended until May 19, 2013, then reinstated at \$16.699 trillion. On October 16, 2013, the debt limit was again suspended until February 7, 2014, at which point it was reset at \$17.2 trillion. On February 15, 2014, the debt ceiling was suspended until March of 2015.

### Reaching the Debt Ceiling

If the debt ceiling is ever surpassed, the Federal government would need to rely solely on incoming revenue to pay obligations as they occur. The Congressional Budget Office, in an August 2014 report, estimated FFY 15 revenues of approximately \$3.281 trillion and FFY 15 expenditures of approximately \$3.750 trillion (including interest payments on the debt). This means that, on an annual basis, anticipated incoming revenue can cover approximately 87% of estimated expenditures. However, differing patterns of revenue inflows and the incurrence

of obligations could result in cash flow problems that could prevent the Federal government from paying significant expenses.

### **Debt Ceiling Background**

There are two components to the debt limit – debt owned by the public, and debt owned by governmental accounts. Debt owned by the public occurs when budget deficits cause the Federal Treasury Department to sell bonds and notes to private investors. Debt owned by governmental accounts occurs when a surplus in a government trust fund, such as Social Security or Medicaid, is used to purchase Treasury securities.

The Second Liberty Bond Act of 1917 included an aggregate limit on Federal debt and limits on certain specific types of debt. In 1939, a general limit was placed on Federal debt (the first public debt limit was \$45 billion). By 1945, the debt limit had increased to \$300 billion due to World War II spending. Between 1945 and 1962, the debt limit was reduced three times and increased seven times. Since then, Congress has enacted 78 separate measures altering the debt limit.